Phokwane Municipality
(Registration number NC094)
Financial statements
for the year ended 30 June 2013
Auditor General South Africa
Registered Auditors

General Information

Nature of business and principal activities	Phokwane Municipality is a local municipality performing the functions as set out in the Constitution (Act 108 of 1996).
Members of Council	
Mayor	V Khen
Councillors	I Riet (Ward 1)
	MF Mojapele (Ward 2)
	FO Pitso (Ward 3)
	AS Mokoena (Ward 4)
	D Meza (Ward 5)
	PJ Nel (Ward 6)
	CJS Adams (Ward 7)
	HM Modiakgotla (Ward 8)
	M Chakane (Ward 9)
	DM Moeketsi (Proportional)
	P Mona (Proportional)
	KD Mashorie (Proportional)
	AO Moremong (Proportional)
	D Meyer (Proportional)
	S Lewis (Proportional)
	GM Motebe (Proportional)
	S Nkomo (Proportional)
Grading of local authority	2
Chief Finance Officer (CFO)	TP Sediti
Accounting Officer	MP Dichaba
Registered office	24 Hertzog Street Hartswater 8570
Postal address	Private Bag X3 Hartswater 8570
Bankers	The Standard Bank of South Africa ABSA Bank Limited
Auditors	Auditor General South Africa Registered Auditors
Attorneys	On assignment appointments

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Abbreviations

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and will be given unrestricted access to all financial records and related data.

The financial statements have been prepared as far as possible in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the remuneration of Councillors and in-kind benefits, as disclosed in the notes to these financial statements, 28 are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 6 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
MP Dichaba

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2013.

1. Audit and Risk Management Committee Members and Attendance

The audit and risk management committee attended to their work during the 2012-13 financial year by sitting for four (4) scheduled meetings and one (1) special meeting. The committee consists of the following members:

Name of Member	Number of meetings attended	Notes
1. Mr WMS Calitz	5 of 5	3 year term appointed as Chairperson
2. Mr A Bhayt	5 of 5	3 year term appointed as member
3. Mr T Khumisi	5 of 5	3 year term appointed as member
4. Mr M Mogale	1 of 5	Mr Mogale attended 1 meeting, 3 meetings without an apology recorded and 1 meeting with an apology recorded. Mr Mogale indicated to the Accounting Officer of his intention to resign and the Accounting Officer to action on the vacancy.

The Audit Committee charter was amended during the financial year to allow for termination of a member if he/she is absent from 3 consecutive meetings without an official apology submitted in writing.

2. Audit Committee Responsibility

The audit and risk committee reports that it has performed its functions in all material respects in terms of section 166 of the MFMA and the adopted Audit Committee Charter as detailed below:

The committee has performed the following key responsibilities:
- Adopted the audit and risk management charter and proposed approval to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to report on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance;

3. The Effectiveness of Internal Control

The system of controls should be designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and compliance with appropriate laws and regulations achieved.

The committee accepted a combined assurance model where the internal and external auditors provide the committee with an indication of the level of assurance that can be derived from a system of internal controls that are appropriate and effective. Recommendations that the a combined assurance is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes were made by the committee.

From the various reports of the internal and external auditors it was noted that material matters were reported indicating material deficiencies in the system of internal control and non-compliance with laws and regulations. Accordingly, we can report that the system of internal control for the period under review was not efficient and effective. The committee is however of the view that progress have been made since the previous report, but much needs to be done to improve the system design, implementation and monitoring thereof. The lack of vacancies at departmental head level is a major concern to the committee and the accounting officer and council is urged to ensure that these positions are filled by persons meeting the employment criteria set out for those positions.

4. The Quality of In-Year Management and Monthly/Quarterly Reports Submitted in terms of the MFMA

The committee is not satisfied with the content and quality of the monthly and quarterly reports prepared and submitted to those charged with governance for the year under review.

Audit Committee Report

5. Evaluation of Financiall Statements

The committee was afforded an opportunity to review the financial statements before 31 August 2013 and could make a contribution on the appropriateness of these financial statements submitted to the Auditor-General.

The committee has established a working relationship with the Auditor-General of South Africa to perform the functions listed below during an official meeting of the audit and risk management committee:
- Review the Auditor-General’s management report and management’s response thereto;
- Review changes in accounting policies and practices;
- Review the council’s compliance with legal and regulatory provisions;
- Review significant adjustments resulting from the audit.

The role and relationship between the Audit Committee and the Auditor-General still needs attention. Although the Auditor-General liaised at district level with all municipalities where the engagement letters and audit strategy documents were tabled and discussed the audit committee of Phokwane municipality were not in attendance.

6. Internal Audit

The internal audit function is performed by municipal officials and the committee is not satisfied that all the responsibilities as defined in the MFMA was executed by the internal audit unit.

	31 July 2013
Chairperson of the Audit Committee	Date

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Notes	2013	Restated 2012
Assets			
Current Assets			
Inventories	3	1,909,437	1,283,041
Operating lease asset	4	10,326	-
Receivables from exchange transactions	5	1,217,122	1,046,633
Receivables from non-exchange transactions	6	1,228,939	1,222,629
VAT receivable	7	12,571,857	10,993,425
Consumer debtors	8	27,310,130	12,624,302
Cash and cash equivalents	9	46,587,538	37,024,769
		90,835,349	**64,194,799**
Non-Current Assets			
Investment property	10	17,185,852	3,536,463
Property, plant and equipment	11	274,032,808	184,628,534
Intangible assets	12	9,678	15,492
Operating lease asset	4	19,440	-
		291,247,778	**188,180,489**
Total Assets		**382,083,127**	**252,375,288**
Liabilities			
Current Liabilities			
Finance lease obligation	13	56,718	123,649
Payables from exchange transactions	14	11,789,530	5,497,493
Consumer deposits	15	2,504,377	2,132,122
Retirement benefit obligation	16	5,026,085	4,473,132
Unspent conditional grants and receipts	17	(2,215,846)	2,091,521
Provisions	18	12,264,283	3,575,698
		29,425,147	**17,893,615**
Non-Current Liabilities			
Finance lease obligation	13	115,502	-
Retirement benefit obligation	16	13,127,898	14,788,543
Provisions	18	3,585,714	853,428
		16,829,114	**15,641,971**
Total Liabilities		**46,254,261**	**33,535,586**
Net Assets		**335,828,866**	**218,839,702**
Accumulated surplus		335,828,866	218,839,702

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**188,550,726**	**188,550,726**
Changes in net assets		
Surplus for the year	30,288,976	30,288,976
Total changes	30,288,976	30,288,976
Opening balance as previously reported	218,839,703	218,839,703
Adjustments		
Prior year adjustments	65,081,599	65,081,599
Balance at 01 July 2012 as restated	**283,921,302**	**283,921,302**
Changes in net assets		
Surplus for the year	51,907,564	51,907,564
Total changes	51,907,564	51,907,564
Balance at 30 June 2013	**335,828,866**	**335,828,866**

Statement of Financial Performance

Figures in Rand	Notes	2013	Restated 2012
Revenue	20	**216,935,520**	**180,591,922**
Other income			
Commissions received		64,572	59,372
Other income		1,248,250	1,905,807
Interest received	21	2,334,902	1,715,129
Actuarial gains		3,389,176	-
		7,036,900	**3,680,308**
Expenses (Refer to page 10)		**(170,821,307)**	**(151,562,621)**
Operating surplus		**53,151,113**	**32,709,609**
Finance costs	22	(1,243,549)	(1,364,436)
Actuarial losses		-	(1,056,197)
		(1,243,549)	**(2,420,633)**
Surplus for the year		**51,907,564**	**30,288,976**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Operating expenses			
Advertising		2,543	50,574
Assets expensed		30,778	25
Auditors remuneration	23	2,225,951	1,964,181
Bad debts		16,180,126	29,508,778
Bank charges		250,789	469,954
Bulk purchases		53,243,000	41,890,993
Chemicals		2,195,378	1,228,673
Cleaning		68,165	65,263
Conferences and seminars		31,600	-
Contracted services		1,759,587	714,110
Depreciation, amortisation and impairments		7,379,306	6,917,701
Employee costs		47,456,426	42,757,378
Entertainment		162,732	190,071
Fines and penalties		103,557	44,815
General Expenses	33	3,125,865	5,711,871
Grants and subsidies paid		3,188,697	3,257,659
Insurance		447,530	491,408
Lease rentals on finance lease		357,084	439,373
Legal expenses		235,191	672,335
Magazines, books and periodicals		15,160	15,308
Motor vehicle expenses		771,987	543,485
Petrol and oil		1,114,944	1,370,513
Postage		336,445	250,350
Printing and stationery		844,366	763,661
Protective clothing		42,483	30,550
Refuse		12,930	(4,615)
Repairs and maintenance		14,880,050	4,412,493
Security		1,469,103	1,134,292
Sedibeng O&M contribution		3,839,982	2,743,818
Subscriptions		997,184	394,287
Telephone and fax		1,121,939	1,114,477
Training		90,483	186,194
Utilities		1,905,149	1,330,200
Valuation Costs		4,934,797	902,446
		170,821,307	**151,562,621**

Cash Flow Statement

Figures in Rand	Notes	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		99,671,630	54,038,836
Government		111,920,000	89,831,672
Interest income		2,334,902	1,510,682
Consumer Deposits		372,255	195,606
		214,298,787	145,576,796
Payments			
Suppliers and Employee costs		(158,913,277)	(99,949,923)
Finance costs		(1,232,718)	(1,327,110)
Grants and subsidies paid		(3,188,697)	(3,257,659)
		(163,334,692)	(104,534,692)
Net cash flows from operating activities	34	**50,964,095**	**41,042,104**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(44,828,242)	(21,483,852)
Cash flows from financing activities			
Repayment of other financial liabilities		3,389,176	(1,378,634)
Finance lease payments		37,740	-
Net cash flows from financing activities		**3,426,916**	**(1,378,634)**
Net increase/(decrease) in cash and cash equivalents		**9,562,769**	**18,179,618**
Cash and cash equivalents at the beginning of the year		37,024,769	18,845,151
Cash and cash equivalents at the end of the year	9	**46,587,538**	**37,024,769**

Phokwane Municipality
(Registration number NC094)
Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	10,038,400	(262,329)	9,776,071	-		9,776,071	7,776,461		(1,999,610)	80 %	77 %
Service charges	86,588,484	(404,936)	86,183,548	-		86,183,548	83,071,710		(3,111,838)	96 %	96 %
Investment revenue	403,395	1,644,734	2,048,129	-		2,048,129	2,334,902		286,773	114 %	579 %
Transfers recognised - operational	66,931,000	1,989,000	68,920,000	-		68,920,000	71,766,157		2,846,157	104 %	107 %
Other own revenue	11,558,775	380,837	11,939,612	-		11,939,612	15,785,127		3,845,515	132 %	137 %
Total revenue (excluding capital transfers and contributions)	**175,520,054**	**3,347,306**	**178,867,360**	**-**		**178,867,360**	**180,734,357**		**1,866,997**	**101 %**	**103 %**
Employee costs	(58,566,655)	17,035,888	(41,530,767)	-	-	(41,530,767)	(42,642,387)	-	(1,111,620)	103 %	73 %
Remuneration of councillors	(5,031,389)	1,004,568	(4,026,821)	-	-	(4,026,821)	(4,814,039)	-	(787,218)	120 %	96 %
Debt impairment	(9,388,199)	(20,058,750)	(29,446,949)			(29,446,949)	(16,180,126)	-	13,266,823	55 %	172 %
Depreciation and asset impairment	(5,304,294)	(1,603,782)	(6,908,076)			(6,908,076)	(7,379,306)	-	(471,230)	107 %	139 %
Finance charges	(133,584)	133,584	-	-	-	-	(1,243,549)	-	(1,243,549)	DIV/0 %	931 %
Bulk purchases	(53,948,433)	(2,025,638)	(55,974,071)	-	-	(55,974,071)	(53,243,000)	-	2,731,071	95 %	99 %
Other expenditure	(52,414,785)	12,300,331	(40,114,454)	-	-	(40,114,454)	(43,373,752)	-	(3,259,298)	108 %	83 %
Total expenditure	**(184,787,339)**	**6,786,201**	**(178,001,138)**	**-**	**-**	**(178,001,138)**	**(168,876,159)**	**-**	**9,124,979**	**95 %**	**91 %**
Surplus/(Deficit)	**(9,267,285)**	**10,133,507**	**866,222**	**-**		**866,222**	**11,858,198**		**10,991,976**	**1,369 %**	**(128)%**
Surplus/(Deficit) for the year	**(9,267,285)**	**10,133,507**	**866,222**	**-**		**866,222**	**11,858,198**		**10,991,976**	**1,369 %**	**(128)%**
Capital expenditure and funds sources											
Total capital expenditure	56,187,822	(5,161,191)	51,026,631	-		51,026,631	44,828,242		(6,198,389)	88 %	80 %

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.2 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	5 - 30 years
Infrastructure	
• Roads and Paving	10 - 80 years
• Electricity	15 - 50 years
• Water	20 - 100 years
• Sewerage	25 - 60 years
• Public Parking	30 years
• Taxi Ranks and Bus Shelters	15 years
Community	
• Buildings	30 years
• Pre-Schools	30 years
• Recreational Grounds	30 years
• Cemetary	30 years
• Libraries	30 years

Accounting Policies

1.2 Property, plant and equipment (continued)

Other property, plant and equipment

• Buildings	5 - 30 years
• Vehicles and Plant	7 - 15 years
• Office equipment	7 - 8 years
• Furniture and fittings	7 - 8 years
• Communication Equipment	7 - 8 years
• Landfill sites	7 - 36 years
• Other	4 - 15 years
• Safety Equipment	5 years
• Computer equipment	5 - 6 years
Heritage	
• Paintings and Art	5 - 10 years

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software and licenses	5 years

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Trade and other receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Accounting Policies

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Trade and other receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.4 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.4 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.5 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

1.7 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.8 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.10 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.11 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These financial statements are presented in South African Rand.

Accounting Policies

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Significant
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Not significant
• GRAP 103: Heritage Assets	01 April 2012	Not significant
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Not significant
• GRAP 104: Financial Instruments	01 April 2012	Significant

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Not significant
• IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue	01 April 2013	Not significant
• GRAP 20: Related parties	01 April 2013	Not significant
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Not significant
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Significant
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Significant
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Not significant
• GRAP 13 (as revised 2012): Leases	01 April 2013	Not significant
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Significant
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Significant
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Not significant
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Not significant

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Notes to the Financial Statements

Figures in Rand	2013	2012

3. Inventories

Consumable stores	1,523,202	912,493
Water – at cost	386,235	370,548
	386,235	370,548
	1,909,437	**1,283,041**

No inventory assets were pledged as security for liabilities.

Consumable stores materials losses/(gains) identified during stock counts amounted to R331,663 for the current year (R264,671 in 2011/12 year).

The water at cost balance for both financial years does not include water in pipes within the municipality's water reticulation network. The water inventory balance was taken from the water inventory levels in all the feeder reservoirs at around xxpm on 30 June each year. It is noted that the consumers would have use all the water that was in the pipes by 12pm and the storage reservoir would have replaced the water in the pipes without getting additional water from the purification plant. Accordingly, the water in the pipes was not taken into account, as it was already accounted for as part of the inventory in the storage reservoir.

4. Operating lease asset

Non-current assets	19,440	-
Current assets	10,326	-
	29,766	**-**

At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:

- within one year	151,728	-
- in two to five years	141,870	-
	293,598	**-**

5. Receivables from exchange transactions

Other Recoverable Arrears	1,217,122	1,046,633

The above other recoverables are a result of debtors suspense accounts

Notes to the Financial Statements

Figures in Rand	2013	2012

6. Receivables from non-exchange transactions

Property rates	17,409,066	14,520,121
Provision for Impairment	(16,180,127)	(13,297,492)
	1,228,939	**1,222,629**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 1,011,365 (2012: R 1,222,629) were past due but not impaired.

The variance of R217,574 between the R1,228,939 and the R1,011,365 above, is as a result of the current portion of debtors which are not past due.

The ageing of amounts past due but not impaired is as follows:

1 month past due	360,606	592,804
2 months past due	338,834	335,582
3 months past due	311,925	294,243

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	13,297,492	11,269,307
Provision for impairment	2,882,635	2,028,185
	16,180,127	**13,297,492**

7. VAT receivable

VAT	12,571,857	10,993,425

The Municipality is registered for VAT on the cash basis.
The VAT asset was increased as a result of an impairment against debtors.

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Consumer debtors

Gross balances		
Electricity	10,340,722	8,992,646
Water	39,748,302	31,014,938
Sewerage	32,265,658	27,177,375
Refuse	20,808,033	17,399,937
Other consumer debtors	57,452,086	48,046,586
	160,614,801	**132,631,482**
Less: Allowance for impairment		
Provision for impairment	(133,304,671)	(120,007,180)
Net balance		
Electricity	10,340,722	8,992,646
Water	39,748,302	31,014,938
Sewerage	32,265,658	27,177,375
Refuse	20,808,033	17,399,937
Provision for impairment	(133,304,671)	(120,007,180)
Other consumer debtors	57,452,086	48,046,586
	27,310,130	**12,624,302**
Included in above is receivables from exchange transactions		
Electricity	10,340,722	8,992,646
Water	39,748,302	31,014,938
Sewerage	32,265,658	27,177,375
Refuse	20,808,033	17,399,937
Other consumer debtors	57,452,086	48,046,586
	160,614,801	**132,631,482**
Net balance	**160,614,801**	**132,631,482**
Electricity		
Current (0 -30 days)	4,172,688	2,947,450
31 - 60 days	1,423,337	965,171
61 - 90 days	868,194	875,123
+ 90 Days	3,876,503	4,204,902
	10,340,722	**8,992,646**
Water		
Current (0 -30 days)	1,882,239	1,321,705
31 - 60 days	2,248,246	901,511
61 - 90 days	2,136,511	990,323
+ 90 Days	33,481,306	27,801,399
	39,748,302	**31,014,938**
Sewerage		
Current (0 -30 days)	573,424	625,059
31 - 60 days	1,028,881	514,800
61 - 90 days	969,758	503,770
+ 90 Days	29,693,595	25,533,746
	32,265,658	**27,177,375**

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	363,752	386,700
31 - 60 days	657,442	332,749
61 - 90 days	643,266	325,789
+ 90 Days	19,143,573	16,354,699
	20,808,033	**17,399,937**

Provision for impairment		
+120 days	(133,304,671)	(120,007,180)

Other consumer debtors		
Current (0 -30 days)	712,039	1,464,880
31 - 60 days	792,284	1,145,050
61 - 90 days	702,686	1,115,052
+ 90 Days	55,245,077	44,321,604
	57,452,086	**48,046,586**

Other consumer debtors above include the following categories:		
Interest incurred on overdue debtors	34,516,280	27,302,865
VAT on debtors	14,962,846	12,356,311
Sundry debtors	7,734,158	8,146,221
Special readings	234,291	236,677
Debtpack	3,894	3,894
Sitehire	617	617
	57,452,086	**48,046,585**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(120,007,180)	(81,406,411)
Contributions to allowance	(13,297,491)	(38,600,769)
	(133,304,671)	**(120,007,180)**

Notes to the Financial Statements

Figures in Rand	2013	2012

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	1,395	1,395
Bank balances	41,533,643	10,581,556
Short-term deposits	5,052,500	26,441,818
	46,587,538	**37,024,769**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - Hartswater Branch - Account Number 1930000309	9,634,519	9,637,485	1,126,869	9,634,519	9,637,785	1,140,765
ABSA Bank - Hartswater Branch - Account Number 1930000317	-	943,770	943,771	11	943,770	943,771
Standard Bank - Hartswater Branch - Account Number 042608643000	32,333,100	-	-	31,899,112	-	-
Leave Investment - Standard Bank - 048559032-001	-	1,834,015	-	-	1,834,015	-
Fixed Deposit - Standard Bank - 048559032-005	-	7,539,453	-	-	7,539,453	-
General Call - Projects ABSA Bank - 911851699	5,052,499	4,893,587	3,704,307	5,052,499	4,893,587	3,704,307
Investment Projects - ABSA Bank - 2062421535	-	-	2,766,392	-	-	2,766,392
General Replacement Reserve - ABSA Bank - 2057015909	-	1,626,266	1,542,805	-	1,626,266	1,542,805
32 Day Notice Deposit - Standard Bank - 048559032 - 009	-	1,043	-	-	1,043	-
Fixed Deposit - Standard Bank - 048559032-006	-	5,273,727	-	-	5,273,727	-
Fixed Deposit - Standard Bank - 048559032-007	-	5,273,727	-	-	5,273,727	-
Petty Cash	-	-	-	1,395	-	-
Total	**47,020,118**	**37,023,073**	**10,084,144**	**46,587,536**	**37,023,373**	**10,098,040**

The Municipality does not owe or hold the cash reserves as a result of unspent conditional grants, but they are reserves from previous years and grant funding.

Notes to the Financial Statements

Figures in Rand	2013	2012

10. Investment property

	2013			2012		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	17,980,746	(794,894)	17,185,852	3,536,463	-	3,536,463

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	17,583,299	(397,447)	17,185,852

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	3,536,463	3,536,463

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Property, plant and equipment

	2013			2012		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	35,037,272	(3,739,709)	31,297,563	15,670,162	(4,811,105)	10,859,057
Community	9,241,122	(2,134,139)	7,106,983	9,187,889	(4,606,637)	4,581,252
Heritage	223,348	(956)	222,392	158,380	(807)	157,573
Infrastructure	173,211,633	(27,058,432)	146,153,201	213,303,318	(49,888,090)	163,415,228
Leased office equipment	185,455	-	185,455	-	-	-
Other property, plant and equipment	19,295,774	(11,674,162)	7,621,612	15,768,220	(10,152,796)	5,615,424
Work in progress	81,445,602	-	81,445,602	-	-	-
Total	**318,640,206**	**(44,607,398)**	**274,032,808**	**254,087,969**	**(69,459,435)**	**184,628,534**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Correction of error in opening balances**	**Depreciation**	**Total**
Land and Buildings	10,859,057	271,670	20,622,325	(455,489)	31,297,563
Community	4,581,252	53,233	2,779,205	(306,707)	7,106,983
Heritage	157,573	-	64,968	(149)	222,392
Infrastructure	163,415,228	17,978,444	(31,161,393)	(4,079,078)	146,153,201
Leased office equipment	-	185,455	-	-	185,455
Other property, plant and equipment	5,615,424	1,186,725	2,954,153	(2,134,690)	7,621,612
Work in Progress	56,292,887	25,152,715	-	-	81,445,602
	240,921,421	**44,828,242**	**(4,740,742)**	**(6,976,113)**	**274,032,808**

Notes to the Financial Statements

Figures in Rand	2013	2012

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land and Buildings	11,339,147	-	(480,090)	10,859,057
Community	4,887,515	-	(306,263)	4,581,252
Heritage	157,722	-	(149)	157,573
Infrastructure	146,066,413	21,053,576	(3,704,761)	163,415,228
Other property, plant and equipment	7,260,914	430,276	(2,075,766)	5,615,424
	169,711,711	**21,483,852**	**(6,567,029)**	**184,628,534**

Included in PPE are 23 land assets, each of which had a value of R1 at year end. These assets were not revalued as required by GRAP 17. The municipality has undertaken to revalue all such land during the 2013/14 financial year and the procurement of the services of a property expert is underway. Any adjustments to the PPE balance as at 30 June 2013 will be effected after such a valuation has been completed.

Included in PPE are 49 assets with a value of R1,931,810.02 at year end, whose land land ownership is currently under investigation. The assets have been included in the asset register from previous financial years. However, the current title deed registration documents for each of these assets reflect changes of ownership. The municipality has undertaken to investigate all land issues during the 2013/14 financial year and the procurement of the services of a property expert is underway. Any adjustments to the PPE balance as at 30 June 2013 will be effected after such a investigation has been completed.

Included in PPE are 26 assets with a value of R1,365,700 at year end, whose land land ownership reflects the municipality and have "business" land use, but there are no corresponding rental agreements with the occupants. The municipality has undertaken to investigate all land issues during the 2013/14 financial year and the procurement of the services of a property expert is underway. Any adjustments to the PPE balance as at 30 June 2013 will be effected after such a investigation has been completed.

In terms of GRAP 1, an asset is a resource control by the entity, as a result of a past event from which future economic benefits or service potential will flow to the entity. In relation to the residential properties, the following was determined:
-The construction of the RDP and residential houses is complete and the beneficiaries are occupying the houses, after they were officially handed over to them.
-The house ownership has not been transferred to the beneficiaries and the ownership is still registered in the name of the municipality.

The municipality does not control the RDP and residential houses and will also not receive rental or use the assets to provide housing to a member of the community or municipal official, as it pleases (i.e. service potential). Accordingly, 1856 properties with an approximate value of R79,525,026 (using the 2013/14 valuation roll) were not recognised as assets in the records of the municipality.

Reconciliation of Work-in-Progress 2013

	Included within Other PPE	Total
Opening balance	56,292,887	56,292,887
Additions/capital expenditure	25,152,715	25,152,715
	81,445,602	**81,445,602**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand	2013	2012

12. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and licenses	28,728	(19,050)	9,678	28,728	(13,236)	15,492

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software and licenses	15,492	(5,814)	9,678

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software and licenses	21,238	(5,746)	15,492

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Finance lease obligation

The following assets were subject to finance leases at year end, at amortised cost:

Nashua MP161SPFCH - M0179306908	-	24,471
Thynk Finance Master Rental Agreement	-	32,664
New Olivette D-Copia 18 MF Digital Copier - XMATT15786	-	13,303
New Olivette D-Colour 45 MF Digital Copier - 60605010067	-	19,954
New Olivette D-Copia 800 MF Digital Copier - H3005685	-	33,257
Konica Minolta - Bizhub B751 - 41003745	83,701	-
Konica Minolta - Bizhub C454 - J04100290	72,973	-
Konica Minolta - Bizhub B36 - X041100091	15,546	-
	172,220	**123,649**
Transferred to current liabilities	(56,718)	(123,649)
Non-current liability	115,502	-

Minimum lease payments due		
- within one year	72,859	129,501
- in two to five years	127,503	-
	200,362	129,501
less: future finance charges	(28,142)	(5,852)
Present value of minimum lease payments	**172,220**	**123,649**

Present value of minimum lease payments due		
- within one year	56,718	123,649
- in two to five years	115,502	-
	172,220	**123,649**

Non-current liabilities	115,502	-
Current liabilities	56,718	123,649
	172,220	**123,649**

Notes to the Financial Statements

Figures in Rand	2013	2012

14. Payables from exchange transactions

Other creditors (suspense accounts)	839,508	491,927
Payments received in advanced	5,513,600	4,149,235
Trade payables	5,436,422	856,331
	11,789,530	**5,497,493**

15. Consumer deposits

Electricity	2,500,620	2,132,122
Housing rental	3,757	-
	2,504,377	**2,132,122**

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Employee benefit obligations

Defined benefit plan

The benefit plan consist of the following two categories: post retirement medical aid benefit plan and long service bonuses.

The benefits are explained below:

Post retirement medical aid plan

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
Bonitas;
Hosmed;
LA Health;
Key Health; and
SAMWU Medical Ad.

Current Employees	**Male**	**Female**	**Total**
Number of active employees	28	40	68
Average age	42	37	79
Average past service	10	10	20.00
Number of spouses	9	7	16
	89	**94**	**183**

The effect of a 1% p.a. change in the medical aid inflation assumption	**-1% Medical Aid Inflation**	**Valuation Assumption**	**+1% Medical Aid Inflation**
Total Accrued Liability	9,910,000	11,566,000	13,632,000
Interest Cots	784,000	919,000	1,087,000
Service Cost	409,000	512,000	648,000
	11,103,000	**12,997,000**	**15,367,000**

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 273 employees were eligible for Long Service Bonuses.

The effect of a 1% p.a. change in the Normal Salary inflation assumption	**-1% Normal Salary Inflation**	**Valuation Assumption**	**+1% Normal Salary Inflation**
Total Accrued Liability	2,175,000	2,315,000	2,470,000
Current Service Cost	251,000	275,000	302,000
Interest Cost	161,000	172,000	185,000
	2,587,000	**2,762,000**	**2,957,000**

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Non Current portion of Post Retirement Benefits	(11,197,898)	(12,935,534)
Non Current portion of Long Term Services	(1,930,000)	(1,853,009)
Current portion of Post Retirement Benefits	(5,026,085)	(4,473,132)
	(18,153,983)	**(19,261,675)**
Non-current liabilities	(13,127,898)	(14,788,543)
Current liabilities	(5,026,085)	(4,473,132)
	(18,153,983)	**(19,261,675)**

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	15,545,888	13,066,687
Actuarial (gains)/losses	(3,389,176)	1,056,197
Contribution for the year	2,159,108	1,916,173
Expenditure for the year	(434,922)	(493,169)
	13,880,898	**15,545,888**

Net expense recognised in the statement of financial performance

Actuarial (gains) losses	3,389,176	(1,056,197)
Current service cost	978,025	824,604
Interest cost	1,181,083	1,091,569
	5,548,284	**859,976**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	3,389,176	(1,056,197)

Notes to the Financial Statements

Figures in Rand	2013	2012

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Retirement Benefit Obligation - discount rates used	7.89 %	8.63 %
Long Service Awards - discount rates used	7.40 %	6.37 %
Expected increase in salaries	6.66 %	5.97 %
Expected increase in healthcare costs	7.14 %	6.82 %
Future changes in maximum state healthcare benefits	0.70 %	1.10 %

Retirement Benefit Obligation Valuation assumptions

Mortality rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA(90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Normal retirement age
The average retirement age for male employees was assumed to be 63 years and 58 years for female employees. This assumption implicitly allows for early retirements.

Long Services Awards Valuation assumptions

The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

Mortality rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Normal retirement age
The normal retirement age for male employees was assumed to be 65 years and for female employees 60 years.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, Cape Joint Retirement Fund which is a Multi-Employer Funds and is a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan. The municipality accounted for this plan as a defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

Notes to the Financial Statements

Figures in Rand	2013	2012

17. Unspent conditional grants and receipts

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Unspent conditional grants and receipts comprises of:

	2013	2012
Unspent conditional grants and receipts		
National Government Grants	(5,499,644)	(655,223)
Provincial Governement Grants	3,891,822	3,354,768
District Municipality	95,518	95,518
Other Grant Providers	(703,542)	(703,542)
	(2,215,846)	**2,091,521**

	2013	2012
Other Grant Providers consist of:		
DWA Grant	(373,744)	(373,744)
Thagadipilajang Grant	(329,798)	(329,798)
	(703,542)	**(703,542)**

Movement during the year

	2013	2012
Balance at the beginning of the year	2,091,521	(3,534,450)
Additions during the year	111,920,000	89,831,670
Income recognition during the year	(116,227,367)	(84,205,699)
	(2,215,846)	**2,091,521**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	4,429,126	11,420,871	15,849,997

Reconciliation of provisions - 2012

	Opening Balance	Total
Environmental rehabilitation	4,429,126	4,429,126

	2013	2012
Non-current liabilities	3,585,714	853,428
Current liabilities	12,264,283	3,575,698
	15,849,997	**4,429,126**

Environmental rehabilitation provision

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Area of the rehabilitation sites	**Column heading**	**Hartswater (Old)**	**Hartswater (New)**	**Ganspan**	**Pampierstad**
Area (ha)	2.9	2.3	4.8	4.6	1.9

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Municipal site	**Year**	**2013 Provision**
Old Hartswater	2013	2,196,385
New Hartswater	2018	3,585,714
Jan Kempdorp	2013	3,093,960
Ganspan	2013	4,580,011
Pampierstad	2013	2,393,927
		15,849,997

19. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	29,766	29,766
Trade and other receivables from exchange transactions	217,122	-	217,122
Other receivables from non-exchange transactions	1,228,939	-	1,228,939
Consumer debtors	27,310,130	-	27,310,130
Cash and cash equivalents	46,587,538	-	46,587,538
	75,343,729	**29,766**	**75,373,495**

Notes to the Financial Statements

Figures in Rand	2013	2012

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	115,502	115,502
Trade and other payables from exchange transactions	11,018,347	-	11,018,347
	11,018,347	**115,502**	**11,133,849**

2012

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	12,040,058	12,040,058
Other receivables from non-exchange transactions	1,222,629	1,222,629
Consumer debtors	12,624,302	12,624,302
Cash and cash equivalents	37,024,769	37,024,769
	62,911,758	**62,911,758**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	11,018,347	11,018,347

Notes to the Financial Statements

Figures in Rand	2013	2012

20. Revenue

Commissions received	64,572	59,372
Fines	74,036	190,690
Government grants & subsidies	115,004,220	84,205,700
Income from agency services	1,134,175	1,457,837
Interest received (debtors)	8,092,855	7,927,472
Interest received - investment	2,334,902	1,715,129
Licences and permits	1,488,452	1,692,294
Other income	1,248,250	1,905,807
Property rates	7,776,461	7,926,865
Rental of facilities and equipment	293,611	136,095
Service charges	83,071,710	77,054,969
	220,583,244	**184,272,230**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Commissions received	64,572	59,372
Income from agency services	1,134,175	1,457,837
Interest received (debtors)	8,092,855	7,927,472
Interest received - investment	2,334,902	1,715,129
Licences and permits	1,488,452	1,692,294
Other income	1,248,250	1,905,807
Rental of facilities and equipment	293,611	136,095
Service charges	83,071,710	77,054,969
	97,728,527	**91,948,975**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	7,776,461	7,926,865
Transfer revenue		
Government grants & subsidies	115,004,220	84,205,700
Fines	74,036	190,690
	122,854,717	**92,323,255**

21. Investment revenue

Interest revenue		
Banks	2,334,902	1,715,129

22. Finance costs

Finance leases	10,831	37,326
Post retirement benefit obligation	1,181,083	1,327,110
Trade and other payables	51,635	-
	1,243,549	**1,364,436**

23. Auditors' remuneration

Fees	2,225,951	1,964,181

Notes to the Financial Statements

Figures in Rand	2013	2012

24. Property rates

Rates received

Property rates	7,776,461	7,926,865

25. Service charges

Refuse removal	4,474,902	4,727,398
Sale of electricity	50,318,744	47,649,761
Sale of water	19,923,499	18,566,439
Sewerage and sanitation charges	8,354,565	6,111,371
	83,071,710	**77,054,969**

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies

Operating grants		
Equitable share	63,719,000	56,299,000
Other Grants	8,047,157	27,906,700
	71,766,157	84,205,700
Capital grants		
Government grant (capital) 1	43,238,063	-
	43,238,063	-
	115,004,220	**84,205,700**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51,285,220	27,906,700
Unconditional grants received	63,719,000	56,299,000
	115,004,220	**84,205,700**

Conditional Grants		
DWAF Grant	1,357,000	1,507,676
Other Grants	49,928,220	26,399,024
	51,285,220	**27,906,700**

Unconditional Grants		
Equitable Share	63,719,000	56,299,000

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Executive & Council	46,649,638	41,751,060
Budget & Treasury	1,717,026	1,137,706
Corporate Services	-	2,563,736
Planning & Development	-	-
Health	-	-
Community & Social Services	666,289	599,878
Housing	-	-
Public Safety	-	-
Sport & Recreation	-	27,770
Street & storm water	7,300,292	-
Waste Management	2,264,909	7,754,449
Waste Water Management	35,578,991	5,615,725
Road Transport	1,007,537	3,638,064
Water	15,668,111	12,702,189
Electricity	4,151,427	30,453,294
	115,004,220	**106,243,871**

Equitable Share

Opening Balance	-	-
Grants received	63,719,000	56,299,000
Conditions met - Operating	(63,719,000)	(56,299,000)
Conditions met - Capital	-	-

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Government grants and subsidies (continued)

Closing Balance	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

National Government Grants

	2013	2012
Balance unspent at beginning of year	(655,223)	(3,743,714)
Current-year receipts	28,666,000	24,025,000
Conditions met - transferred to revenue	(33,510,421)	(20,936,509)
	(5,499,644)	**(655,223)**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Provincial Government Grants

	2013	2012
Balance unspent at beginning of year	3,354,768	771,259
Current-year receipts	19,535,000	9,438,799
Conditions met - transferred to revenue	(18,997,946)	(6,855,290)
	3,891,822	**3,354,768**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

District Municipality

	2013	2012
Balance unspent at beginning of year	95,518	141,545
Current-year receipts	-	68,873
Conditions met - transferred to revenue	-	(114,900)
	95,518	**95,518**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Other Grant Providers

	2013	2012
Balance unspent at beginning of year	(703,542)	(703,542)

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Financial Statements

Figures in Rand	2013	2012

27. Employee related costs

Acting allowances	171,222	218,945
Basic	29,098,962	25,797,858
Bonus	2,531,240	1,827,146
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6,913,364	6,318,830
Housing benefits and allowances	177,977	213,188
Leave pay provision charge	701,471	790,139
Long-service awards	210,337	249,737
Other payments (SDL, Bargaining Council, WCA)	388,925	390,778
Overtime payments	968,999	918,059
Post-employment benefits - Pension - Defined contribution plan	638,000	226,956
Travel, motor car, accommodation, subsistence and other allowances	841,890	894,287
	42,642,387	**37,845,923**

Remuneration of municipal manager

Annual Remuneration	576,893	525,321
Car Allowance	107,120	149,272
Cellphone allowance	8,656	7,632
Annual Bonus	47,000	-
Contributions - UIF, Medical, Pension, Bargaining Council Levy	136,425	112,774
	876,094	**794,999**

Remuneration of chief finance officer

Annual Remuneration	436,137	413,400
Car Allowance	85,570	79,500
Housing Allowance	58,432	58,023
Annual Bonus	36,345	34,450
Contributions to UIF, Medical and Pension Funds	116,656	104,036
	733,140	**689,409**

Corporate and human resources (corporate services)

Annual Remuneration	356,680	399,061
Car Allowance	35,545	79,500
Cell phone Allowance	2,796	6,360
Leave Gratuity	35,533	-
Housing Allowance	32,007	73,846
Annual Bonus	17,542	33,255
Contributions - UIF, Medical, Pension, Bargaining Council Levy	47,714	96,978
	495,810	**615,154**

For the 2012/13 period, the Corporate services manager was only employed for 8 months, which has resulted in the decrease in salary noted above.

28. Remuneration of councillors

Mayor	663,581	611,695
Speaker	534,759	488,621
Mayoral Committee Members	836,055	757,221
Councillors	2,252,111	2,560,004
Councillors’ pension contribution	529,606	493,914
	4,816,112	**4,911,455**

Notes to the Financial Statements

Figures in Rand	2013	2012

28. Remuneration of councillors (continued)

Councillors Remuneration

Included in the remuneration above are two (2) Section 79 Chairpersons who have been paid during the 2012/13 year in excess of the Upper Limits of the Remuneration of Public Officer Bearers Act. The remuneration to these Section 79 Chairpersons was in line with the remuneration paid in the previous 2011/12 year. This excess remuneration is in line with SALGA Circular 40/2012 paragraph 1(g), which allows previously paid salary levels to be maintained until such time as the amount received is less than the upper limits amount.

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and shared secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

29. Debt impairment

Debt impairment	16,180,126	29,508,778

30. Depreciation and amortisation

Property, plant and equipment	7,379,306	6,913,821

31. Grants and subsidies paid

Financial Management Grant	1,454,335	1,064,089
Library Grant	15,816	340,958
Municipal Systems Improvement Grant	528,195	827,326
Sedibeng indigent support paid to external service provider	1,190,351	1,025,286
Total Grants and Subsidies	**3,188,697**	**3,257,659**
Budget & Treasury	1,454,335	1,064,089
Community & Social Services	15,816	340,958
Executive & Council	528,195	827,326
Operating Grant expenditure per Vote		
Water	1,190,351	1,025,286
Total Grants and Subsidies	**3,188,697**	**3,257,659**

32. Bulk purchases

Electricity	36,841,551	27,070,672
Water	16,401,449	14,820,321
	53,243,000	**41,890,993**

33. General Expenses

The General Expenses consists of the the following significant expenses:		
Land survey costs	340,200	272,152
Subsistence And Travelling Councillors	201,408	157,545
Subsistence And Travelling Officials	738,672	704,345
Ward Committee Expenses	1,051,511	783,836
	2,331,791	**1,917,878**

Notes to the Financial Statements

Figures in Rand	2013	2012

34. Cash generated from operations

Surplus	51,907,564	30,288,976
Adjustments for:		
Depreciation and amortisation	7,379,306	6,913,821
Actuarial (gains) losses	(3,389,176)	1,056,197
Finance costs - Finance leases	10,831	37,326
Impairment deficit	-	3,880
Debt impairment	16,180,126	29,508,778
Movements in operating lease assets and accruals	(29,766)	-
Movements in retirement benefit assets and liabilities	(1,107,692)	2,425,936
Movements in provisions	11,420,871	210,911
Interest Income Receivable	-	(204,447)
Capital Movement in Surplus	(517,313)	-
Changes in working capital:		
Inventories	(626,396)	291,203
Receivables from exchange transactions	(170,489)	(449,321)
Other receivables from non-exchange transactions	(6,310)	(250,934)
Consumer debtors	(30,865,954)	(41,048,651)
Payables from exchange transactions	6,292,037	(5,970,664)
VAT	(1,578,432)	12,407,416
Unspent conditional grants and receipts	(4,307,367)	5,625,971
Consumer deposits	372,255	195,706
	50,964,095	**41,042,104**

35. Commitments

Authorised capital expenditure

Approved and contracted for:		
• Property, plant and equipment (Infrastructure)	81,474,053	39,457,510
Approved and not contracted for:		
• Property, plant and equipment (Infrastructure)	-	21,000,000

This committed expenditure relates to plant and equipment and will be financed by government grants.

Figures in Rand	2013	2012

36. Contingencies

The municipality is currently engaged in litigation which could result in damages/costs being awarded against the Municipality if claimants are successful in their actions. The following are the estimates:

Babereki Consulting Engineers vs Phokwane LM	19,037,583	19,037,583
Komanisi vs Phokwane LM	2,695,000	2,695,000
Ganspan Small Scale Farmers Members vs Phokwane LM	-	-
Bidco Investment / Morula Project vs Phokwane LM	243,553	243,553
Eviction Orders	-	-
M Ndwanya vs Phokwane LM	-	-
Permit or licence for any of the landfill sites currently in use	-	-
Key management performance contracts	112,646	152,139
	22,088,782	**22,128,275**

The Babereki Consulting Engineers vs Phokwane LM matter relates to a claim order for specific performance for an amount of R19 037 583. Action against the municipality is pending. The amount was erroneously disclosed in the prior year financial statements as an amount of R35 650, hence the restatement of the comparative figure. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

The Komanisi vs Phokwane LM matter relates to damages incurred in participation of a housing construction contract for an amount of R2 695 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The amount was erroneously disclosed in the prior year financial statements as R450 000. The legal costs are estimated at R165 000.

The Ganspan Small Scale Farmers Members vs Phokwane LM matter's contingent amount in the prior year was unknown. The matter is disregarded in the current year as no claims have yet been made. No claims are expected to be made. The legal costs are estimated at R145 000.

The Bidco Investment / Morula Project vs Phokwane LM matter relates to damages for a terminated agreement for an amount of R243 552. The matter is currently in progress. The amount was erroneously disclosed in the prior year financial statements as R180 000. The legal costs are estimated at R80 000.

The Eviction orders matter was closed on 1 March 2012. The amount was erroneously disclosed in the prior year financial statements.

The M Ndwanya vs Phokwane LM matter relates to labour dispute. The amount disclosed in the prior year was unknown. The amount to be disclosed in the current year remains unknown. The matter is currently in progress.

The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

As at year-end, certain key management personnel have performance contracts in place that make provision for certain payments to be made as conditions are met. Some of the applicable conditions were met, thus resulting in amounts that may be paid to the parties. The bonus amounts have not been paid in any prior years and payment is not probable.

During the 2010/11 and 2011/12 financial years, the municipality charged electricity tariffs in excess of those approved by NERSA, which was in contravention to section 15(2) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (ERA). Section 15(3) of the ERA, however prescribes that the Regulator may, in prescribed circumstances, approve a deviation from set or approved tariffs. The municipality has acknowledged the deviation and has been in discussions with the NERSA and stakeholders to determine means to address the deviation. However the approval for the deviation has not yet been provided by the Regulator. The possible overstatement of revenue and receivables from exchange transactions was calculated as follows, for the respective financial years:
2010/11: R17 901 698
2011/12: R28 195 209

37. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related party transactions

The rates, service charges and other charges charged to related parties are in accordance with approved tariffs that were advertised to the public. No bad debts expenses have been recognised in respect of amounts owed by related parties.

Councillors	Rates - Levied 1 Jul 12 - 30 Jun 13	Service Charges - Levied 1 Jul 12 - 30 Jun 13	Other - Levied 1 Jul 12 - 30 Jun 13	Outstanding Balances 30 June 2013
Nkomo S	-	3,859	5,067	95,033
Motebe GM	3,170	24,483	88	(2,496)
Lewis S	284	6,355	14	510
Nel PJ	6,203	16,173	88	2,122
Adams J	24	8,675	25	1,041
Mokwena AS	22	1,658	1,232	22,423
Mojapele MF	-	1,658	11	444
Meza D	-	1,658	5	229
Chakane M	-	2,086	309	5,297
Pitso FO	-	1,658	709	11,457
Modiakgotla HM	312	9,711	3,816	65,144
Moremongwe O	-	1,658	7	227
Mashori KD	-	2,664	268	949
Mona P	-	6,458	11	451
Moketsi DM	416	1,658	11	500
	10,431	**90,412**	**11,661**	**203,331**

Municipal Manager and Section 57 Employees	Rates - Levied 1 Jul 12 - 30 Jun 13	Service Charges - Levied 1 Jul 12 - 30 Jun 13	Other - Levied 1 Jul 12 - 30 Jun 13	Outstanding Balances 30 June 2013
Dichaba MP	4,015	28,107	561	5,796
Sediti TP	-	6,968	320	5,417
Motswana M	-	16,334	4,290	15,656
	4,015	**51,409**	**5,171**	**26,869**

Councillor / Sect 57 Manager

	2013	2012
The Supply Chain Manager's (TP Mmusi) husband's business entity (Matsapa Projects) was awarded the contract for the Electrification of Ganspan and Bonita Park which was funded by INEP to the amount of R2 184 000. Furthermore expenditure relating to technical support to the amount of R102 828 was awarded to Matsapa Projects without being advertised and no other quotations were obtained. No amounts were paid to Matsapa Projects during the current year ended 30 June 2013.	-	2,286,828

Figures in Rand	2013	2012

38. Prior period errors

The correction of the error due to the assets not previosuly recognised during the 1st implementation of GRAP 17 and 16 results in adjustments as follows:

Statement of financial position		
Property, plant and equipment prior year	-	(184,628,534)
Property, plant and equipment restated comparative	-	236,180,613
Investment property prior year	-	(3,536,463)
Investment property restated comparative	-	17,583,299
Opening Accumulated Surplus or Deficit	-	(65,598,915)

The correction of the error due to the AG recommendations on both Expenditure and Revenue, and clearing of the suspense accounts of Revenue results in total adjustments as follows

Statement of Financial Performance		
General Expenses	-	(228,902)
Revenue	-	(288,414)
Opening Accumulated Surplus or Deficit	-	517,316

39. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the municipal treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality did not default on any of their trade and other payables commitments during the period under review and no terms were re-negotiated.

The table below analyses the entity’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

39. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables, long term receivables and unpaid conditional grants and subsidies.

Trade receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of rate and other services payers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to the applicable note for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No trade and other receivables are pledged as security for financial liabilities.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Receivables are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2013**	**2012**
Trade receivables from non-exchange transactions	27,527,252	13,671,234
Other receivables from non-exchange transactions	1,228,939	1,222,629
Cash and Cash Equivalents	46,587,538	37,024,469
Unpaid conditional grants and subsidies	9,245,443	4,917,738

Market risk

Figures in Rand	2013	2012

39. Risk management (continued)

Interest rate risk

As the entity has no significant interest-bearing assets or liabilities, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

40. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Events after the reporting date

The Municipality has no events after reporting date during the financial year ended 2012/2013.

42. Unauthorised expenditure

	2013	2012
Reconciliation of unauthorised expenditure		
Opening balance	109,843,574	87,994,699
Unauthorised capital expenditure current year	2,012,748	8,532,289
Unauthorised operating expenditure current year	15,018,937	13,316,586
	126,875,259	**109,843,574**

The opening balance has been restated as there was a misstatement in the prior year of R68 672 268, as result of calculation error in the Budget Variances.

Incident	Disciplinary steps/ criminal proceedings
Over expenditure of approved budget on votes - prior years	None
Over expenditure of approved capital budget on votes for capital expenditure amounting to R2 630 241 project Pampierstad 1400 Housing Project.	None
Over expenditure of approved capital budget on votes for capital expenditure amounting to R1 141 548 project Sakhile Bulk Waterline.	None
Over expenditure of approved capital budget on votes for capital expenditure amounting to R3 177 891 awaiting investigation	None
Over expenditure of approved capital budget on votes for capital expenditure amounting to R264 035 project Masakeng Sewer Project.	None
Over expenditure of approved budget on votes - Current year	The overspending is yet to be tabled before the council for consideration

43. Fruitless and wasteful expenditure

	2013	2012
Opening balance	263,491	218,676
Fruitless and wasteful expenditure current year	209,741	44,815
	473,232	**263,491**

Notes to the Financial Statements

Figures in Rand	2013	2012

43. Fruitless and wasteful expenditure (continued)

Incident	Disciplinary steps/criminal proceedings	2013	2012
Fruitless in in prior years	None	263,491	218,676
Fines	None	103,557	44,815
Interest in 2012/13	None	61,431	-
Penalties paid 2012/13	None	44,753	-
		473,232	**263,491**

Figures in Rand	2013	2012

44. Irregular expenditure

	2013	2012
Reconciliation of irregular expenditure		
Opening balance	8,651,655	5,171,537
Irregular expenditure current year	181,094	3,480,118
Condoned or written off by Council	-	-
Irregular expenditure awaiting condonement	**8,832,749**	**8,651,655**

Irregular expenditure awaiting condonement from National Treasury

Incident	Disciplinary steps/ criminal proceedings	2013	2012
Purchases made without tax clearance certificates	None	-	1,218,917
Preferential point system not applied in tender process.	None	-	3,139,665
Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	None	-	812,955
Repairs to Electrical panel at sewerage pump station- only one quotation obtained	None	-	8,621
lunch for Initiation school meeting- only one quotation obtained	None	-	3,800
Letterheads - only one quotation obtained	None	-	2,570
Repairs of HP 9000 printer- only one quotation obtained	None	-	2,958
171-180 cascade clamp (water pipe)- only one quotation obtained	None	-	3,611
Gorman rupp super T4- Unforeseen & unavoidable -one quotation	None	-	29,885
New Sewer Pump- one quotation - urgent matter	None	-	9,611
Water chemicals- one quotation received urgent	None	-	26,207
TLB Hire- urgent one quotation received	None	-	25,400
clean dumping site- not advertised , only one supplier	None	-	39,900
publication of new council- one quotation received	None	-	16,000
lunch ward committee- one quotation received urgent	None	-	4,000
Office furniture- not advertised, one supplier	None	-	57,877
silica sand- not advertised , only one supplier	None	-	33,958
Tender advert- only one quotation obtained	None	-	4,000
Store requisition book- single supplier one quotation	None	-	2,150
Chlorine gas- two quotation received	None	-	24,277
Transport for ward committee- single supplier one quotation	None	-	3,060
Crusher Sand- single supplier one quotation	None	-	12,749
silica sand- not advertised single supplier one quotation	None	-	33,958
Repair of gormanrupp T4 pump- single supplier one quotation	None	-	20,163
Replace water pump and strip burnt pump- urgent request single supplier, one quotation	None	-	79,308
Cat spray 65 drum, tarr- not advertised single supplier one quotation	None	-	42,887
Public Toilet hire- one quotation obtained	None	-	2,599
Goods received book- single supplier one quotation	None	-	2,100
Crusher Sand- single supplier one quotation	None	-	22,845
Electrical panel new pump- urgent request single supplier, one quotation	None	-	5,584
New gorman pump - only one quotation	None	-	4,617
Repair of electric motor - only one quotation	None	-	4,902
Office furniture - only one quotation	None	-	15,133
Sketch booklets - only one quotation	None	-	2,712
Repair water tanks - only one quotation	None	-	4,845
Breakfast MEC-Energy - only one quotation	None	-	2,234
Councillors photos - only one quotation		-	7,500
White envelops - only one quotation		-	6,555
Repair to Saer pump and motor - only one quotation	None	-	4,272
sudfloc water chemical - three quotes obtains, not advertised , waiting for finalization of tender	None	-	148,651
lunch for councillors , public protector visit - only one quotation	None	-	2,495

Notes to the Financial Statements

Figures in Rand	2013	2012

44. Irregular expenditure (continued)

HTH Granular, chlorine gas, water chemicals - direct supplier, waiting for finalization of tender		-	26,207
Bauer motor , model star delta - only one quotation	None	-	4,845
Installation of new network - only one quotation network supplier	None	-	4,868
Water samples - only one supplier	None	-	4,339
Transport for learners to Pretoria - only one supplier	None	-	15,950
Library visit Taung Dam - only one supplier	None	-	2,500
letterheads - one quotation obtained	None	-	2,570
Cleaning dumping site - one quotation obtained, not advertised	None	-	39,900
water chemicals - one quotation, chemical tender not finalized	None	-	35,172
Test system traffic - one quotation, only local supplier	None	-	5,238
Water chemicals - one quotation, chemical tender not finalized water chemicals - one quotation, chemical tender not finalized	None	-	38,041
Transport community for food for waste project - one quotation obtained	None	-	2,700
Transport school children - one quotation obtained	None	-	3,700
Gorman Rupp T4 Assembly - one quotation obtained, urgent requires	None	-	24,977
Borehole pump model m5514 - one quotation obtained single supplier	None	-	16,125
Stroke edge cutters - two quotations obtained	None	-	27,770
Motors DMZA160xZ, repair bauer motor - one quotation, urgent faulty power supply	None	-	11,375
Replace faulty butterfly valves - one quotation obtained	None	-	13,818
Repair gorman rupp T3a3 - one quotation obtained	None	-	18,321
Lunch initiation school meeting - one quotation obtained	None	-	2,752
Accommodation for Mr. marima - one quotation obtained	None	-	12,600
Adjudication report for Tenders - not advertised, urgent request for technical report	None	-	104,880
Petrol and diesel - not advertised, three quotation obtained	None	-	107,129
Year end function - not advertised , three quotations obtained	None	-	49,800
Indigent books - one quotation	None	-	3,930
advert Christmas message - one quotation	None	-	4,000
Advert Municipal Manager post - one quotation	None	-	4,000
Water pipes - one quotation, urgent request, water connection	None	-	26,750
Road works signs - one quotation	None	-	7,216
Diesel - not advertised, two quotation obtained	None	-	83,760
Copy for Councillors Agent - copy machine was not working only one supplier could assist.	None	-	2,208
Test & Calibration of Radar MuniQuip - one quotation, sole supplier	None	-	2,653
Electrical meters for household, gemini wires, PLC - one quotation obtained, from sole supplier	None	-	133,380
Deforest of Korhaan crescent dam - only one supplier assist with the equipment	None	-	3,600
Lunch for meeting with Mayor and Dept. of Education - one quotation obtain	None	-	2,567
Mayor , Councillors, officials, lunch meeting with Dept. of Health - one quotation obtain	None	-	3,014
KVA Meters - one quotation obtain, one supplier could assist	None	-	17,303
Drum Tarr Cat 65, repair pothole - one quotation , sole supplier	None	-	65,390
Repairs of canon copy machine - one quotation , sole supplier	None	-	12,123
GIS software Desktop basic single use - one quotation , sole supplier	None	-	42,864
Indigent application books - only suppliers that print our books, one quotation	None	-	9,800
Summons Books - only suppliers that print our books, one quotation	None	-	8,600
Receipt books - only suppliers that print our books, one quotation	None	-	2,950
Indigent application books - only suppliers that print our books, one quotation	None	-	4,700
repair jyline pump, c/w automatic plant switch - one quotation obtain	None	-	5,044
2 pole foot mounted motor - one quotation obtain	None	-	12,825
Facilitation of a strategic Planning session - advertised for 7days, no respond, was not re-advertised,three quotation obtained	None	-	32,490

Figures in Rand		2013	2012

44. Irregular expenditure (continued)

Anti Virus Renewal - one quotation obtain	None	-	13,277
Strip and repair of server room air conditioner - one supplier could assist	None	-	6,050
hire equipment to clean field - one supplier could assist	None	-	7,200
hire equipment to digging graves - one supplier could assist	None	-	3,600
Vehicle Statement Books - only suppliers that print our books, one quotation	None	-	3,700
Trip authority books - only suppliers that print our books, one quotation	None	-	3,920
Repair 11kw siemens motor - one quotation obtain	None	-	3,620
Repair of 15.8kw siemens - one quotation obtain	None	-	5,921
Repairs to siemens motor model 160m - one quotation obtain	None	-	3,621
publishing a notice of subdivision of ERF - two quotation obtained	None	-	4,000
200 copies of annual report - not advertised fro 7days, one supplier could assist	None	-	90,680
Sand crusher, teerklip - not advertised fro 7days, one supplier could assist	None	-	41,103
Maintenance of copy machine 9000 - one quotation obtain	None	-	8,178
100 drums of CAT 65 Tarr - not advertised fro 7days, one supplier could assist	None	-	155,268
Envelopes boxes for accounts - one quotation obtain	None	-	4,446
Land survey erf 1366-1372 vaalharts settlement - one quotation obtain, no contract with supplier	None	-	6,270
Land survey of ERF 259 Hartswater - one quotation obtain, no contract with supplier	None	-	27,142
Land survey of ERF 259 Hartswater - one quotation obtain, no contract with supplier	None	-	19,361
Land survey of ERF 259 Hartswater - one quotation obtain, no contract with supplier	None	-	34,096
land survey erf 774 Jankemp ,erf 2730 p/stad & 28 erf fase 1 JKd - one quotation obtain, no contract with supplier	None	-	147,891
land survey erf 774 Jankemp ,erf 2730 p/stad & 28 erf fase 1 JKd - one quotation obtain, no contract with supplier			
Land survey of ERF - one quotation obtain, no contract with supplier	None	-	69,437
Contribution funeral arrangement of Late Council Riet - supply chain procedure not followed	None	-	20,000
Financial assistance for prayer day Event - supply chain procedure not followed	None	-	9,800
Accommodation and breakfast for DJ's Workshop - supply chain procedure not followed	None	-	6,498
Tent , toilet service and transport - supply chain procedure not followed	None	-	7,239
Guest entertainment - supply chain procedure not followed	None	-	4,900
HR related appointments no procedure followed - Miss TL Krawe	None	-	77,808
HR related appointments no procedure followed - Miss DM Abrahams	None	-	72,341
HR related appointments no procedure followed - Miss Sethlodi	None	-	82,744
Letterheads - one supplier	None	-	2,720
Cleaning Dumping site - urgent , not advertised one single supplier	None	-	40,281
Repairs of roads, teerklip - one quotation single supplier	None	-	22,391
Lunch for Councillors - one quotation single supplier	None	-	4,502
Jolly tables and cahirs - one quotation single supplier	None	-	2,772
Repair of pedrocco pump - only one service provider	None	-	3,832
Upgrade electrical panel - only one service provider	None	-	9,428
Water chemicals - urgent request one quotation	None	-	34,764
Road works signs - one service provider,one quotation received	None	-	4,302
Electrical network - urgent request one quotation obtain	None	-	2,910
Municipality accounts book - only local supplier	None	-	4,250
Trip authorisation book - only local supplier	None	-	3,100
Solaraine direct 80w solar panel - only one quotation was obtained	None	-	10,602
Water chemicals - tender process was not finalised,buying from direct suppliers,not advertised for 7 days, 3quotation obtained	None	-	162,519

Notes to the Financial Statements

Figures in Rand		2013	2012

44. Irregular expenditure (continued)

Repair vacuum machine - one service provider, as the machine was brought from them	None	-	3,894
Tarr cleansing roads - only nearest service provider that can assist	None	-	46,580
Supply and install heavy duty steel frame for solarpanels - only local service provider,	None	-	5,800
Repairs to ABS Pump model J24ND - only one supplier	None	-	16,544
Vacuum gas metering system, dosing pump,installation kit - only one supplier	None	-	32,210
Purchase of grave number for graveyard - only one supplier	None	-	19,973
Lunch for councillors nad managers; induction meeting - only one supplier	None	-	3,145
Transport of ward committee members - only one quotation obtained	None	-	6,000
Repair raw water pump , electrical - only one quotation obtained	None	-	11,125
Repair motor at sewerage pump station at sport ground - one quotation obtained	None	-	8,796
Repair to boom vacuum pump - one quotation obtained	None	-	4,170
Repair to Tsurumi pump - one quotation obtained	None	-	3,014
emergency call out sullpy new 11kW,4 pole motor - one quotation obtained	None	-	15,748
Water chemical chlorine gas - urgent request one quotation direct supplier	None	-	59,381
service calibration ,supply and installation of scuff gauge parts - only one supplier that can service the machine	None	-	23,564
Water installation on 19 Sites - Tender documentation not complete for payments made to Nokuka Trading	None	-	117,954
Car service (NP300) - One quotation obtained	Submitted to council for consideration, awaiting council decision	3,073	-
New server connected - Not advertised	Submitted to council for consideration, awaiting council decision	74,089	-
CPMD Course - Specialised course	Submitted to council for consideration, awaiting council decision	27,500	-
Accounts envelopes - Sole supplier of the specialised cart.	Submitted to council for consideration, awaiting council decision	5,592	-
Water samples - Only one supplier with relevant equip.	Submitted to council for consideration, awaiting council decision	5,027	-
Gift box for minister - Only one supplier of the needed in a short time	Submitted to council for consideration, awaiting council decision	3,720	-

Notes to the Financial Statements

Figures in Rand	2013	2012

44. Irregular expenditure (continued)

Network points - Specialised network service needed		Submitted to council for consideration, awaiting council decision	7,661	-
Calibration -Sole service provider		Submitted to council for consideration, awaiting council decision	37,267	-
Repairs of photocopier machine - Only Olivetti specialist could fix the problem		Submitted to council for consideration, awaiting council decision	3,587	-
Repairs of Franking machine - Docmail contracted by Pitney Bowes		Submitted to council for consideration, awaiting council decision	3,137	-
Ink cartridges - Sole supplier of the specialised cart.		Submitted to council for consideration, awaiting council decision	5,415	-
		Submitted to council for consideration, awaiting council decision	-	-
		Submitted to council for consideration, awaiting council decision	-	-
			181,094	**8,651,655**

45. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2013	2012
Net surplus per the statement of financial performance	51,907,564	30,288,976

46. Additional disclosure in terms of Municipal Finance Management Act

46.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA

	2013	2012
Opening balance	482,166	250,672
Council subscriptions	12,000	606,754
Amount paid - current year	(494,166)	(124,588)
Amount paid - previous years	-	(250,672)
	-	**482,166**

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

46.2 Material losses

Electricity distribution losses (KWh)	2013	2012
KWh purchased	52,077,634	49,023,156
less: kWh sold	(40,613,559)	(30,633,894)
KWh losses	11,464,075	18,389,262
% losses	22	38
Average cost per kWh unit	0.447	0.396
Loss in Rand value	5,124,442	7,282,148
	-	-

Electricity distribution losses (kVA)	2013	2012
KVA purchased	118,552	202,957
less: kVA sold	(47,499)	(65,311)
KVA losses	71,053	137,646
% losses	60	68
Average cost per kVA unit	106.572	96.011
Loss in Rand value	7,572,260	13,215,530
	-	-

Water distribution losses (Mega litres)	2013	2012
Mega litres purified	3,224,337	2,804,559
less: mega litres sold	(1,938,100)	(1,788,339)
Mega litre losses	1,286,237	1,016,220
% losses	40	36
Average cost per unit	2.870	2.870
Loss in Rand value	3,691,500	2,916,551
	-	-

46.3 Audit fees

Opening balance	-	84,594
Current year audit fees	2,225,951	2,177,194
Amount paid - current year	(2,225,951)	(2,177,194)
Amount paid - previous years	-	(84,594)
	-	-

46.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions and Council contributions	4,813,473	4,352,216
Amount paid - current year	(4,813,473)	(4,352,216)
	-	-

Notes to the Financial Statements

Figures in Rand	2013	2012

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

46.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	7,473,911	6,825,461
Amount paid - current year	(7,473,911)	(6,825,461)
	-	**-**

46.6 VAT

VAT receivable	12,571,857	10,993,425

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

46.7 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at year end:

Nkomo S	92,858	91,623
Motebe GM	-	292
Lewis S	55	-
Adams J	516	692
Mokwena AS	21,930	19,037
Mojapele MF	306	360
Meza D	91	170
Chakane M	4,886	2,536
Pitso FO	11,055	8,714
Modiakgotla	62,883	49,250
Moremongwe O	89	89
Mashori KD	1,224	1,071
Moketsi DM	338	468
Riet I	-	1,675
	196,231	**175,977**